

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et
al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**INFORMATIVE MOTION REGARDING THE DISCLOSURE OF CASH BALANCES
OF PUERTO RICO GOVERNMENT ENTITIES**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), through its undersigned counsel, hereby states as follows:

I. Ongoing Evaluation and Disclosure of Government’s Cash Position

1. In furtherance of Governor Ricardo Rosselló’s ongoing policy of transparency in financial reporting, AAFAF and its advisors, in consultation with the Financial Management and Oversight Board for Puerto Rico (the “Oversight Board”), have been conducting a comprehensive evaluation of the cash balances of the Government of Puerto Rico and all of its

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

instrumentalities, including public corporations and governmental agencies—an exercise which had not, to AAFAF's knowledge, been performed by any previous administration.

2. On December 18, 2017, AAFAF disclosed the preliminary results of this evaluation by posting the PowerPoint presentation, attached hereto as Exhibit A (the "Initial Report"), on the Electronic Municipal Market Access system.

3. Preparation of the Initial Report required, among other things: (i) a review of hundreds of bank accounts; (ii) frequent communication with financial and Government agencies to obtain clearance to access account information, (iii) inputting account details into a web-based platform that allows on-demand access to account information, and (iv) periodic reporting of account information to the Oversight Board and their advisors.

4. AAFAF has established a prospective five-step independent accounting process to determine and assess the nature (*e.g.*, restricted or not) and cash balances of all active and non-active bank accounts. In order to achieve a comprehensive model of the Government's cash position, that five-step independent review process (the "Independent Review Process") is as follows:

- Step 1: Determine, validate and reconcile all bank accounts;
- Step 2: Engage an independent firm to conduct an evaluation of the cash inflows and outflows into all governmental bank accounts;
- Step 3: Review the results of the independent evaluation to confirm legal restrictions relative to funds deposited into the bank accounts for each governmental entity;
- Step 4: If excess unrestricted cash exists in bank accounts of the major component units, determine if such unrestricted cash exceeds necessary operating expenses; and
- Step 5: Establish a process to access excess unrestricted cash as may be appropriate.

5. Based upon the response by and disclosure from certain financial institutions and governmental agencies, AAFAF believes that it has completed Step 1 of the Independent Review Process. In the event additional accounts are brought to AAFAF's attention, such accounts will be subject to review and completion of the foregoing Step 1 process.

II. Overview of the Initial Report

6. The Initial Report disclosed that the bank account balances for Puerto Rico Government entities as aggregated is approximately \$6.875 billion. However, it is important to understand and put in proper context the Initial Report. The Initial Report's disclosed aggregated cash balance reflects a preliminary analysis of hundreds of bank accounts of the Central Government and other Government instrumentalities.² It does not necessarily provide an accurate picture of governmental liquidity for unrestricted general use. Indeed, both restricted and unrestricted cash accounts as encompassed in the Initial Report indicates that a significant portion of the funds either have or will likely have limitations and restrictions on use (including various accounts containing federal funds designated by law solely and exclusively for use on specific federal programs). Notwithstanding the foregoing, completion of Independent Review Process Steps 2 and 3 will provide a definitive determination concerning limitations and restrictions on all bank accounts.

7. Prior to completion of the Independent Review Process, any reliance on the Initial Report is misplaced, premature and counterproductive.

² Notably, several of the cash balances reflected in the Initial Report have previously been disclosed by the Government. For example, the \$905 million cash balance held by COFINA reflected in the Initial Report has been disclosed to this Court and cannot be used by the Commonwealth while litigation relating to the priority of claims to these funds is pending.

III. AAFAF Will Continue to Disclose Information Related to the Independent Review Process as it Progresses

8. The Rosselló administration has taken, and will continue to take, unprecedented steps to ensure that the Oversight Board, creditors, and other key stakeholders receive relevant and updated financial information. Consistent with the Independent Review Process, the Government will make periodic public disclosures of the progress and results of that process.

9. AAFAF, in coordination and consultation with the Oversight Board in carrying out the Independent Review Process, also intends to work and cooperate with creditors to provide information underlying the Initial Report and to keep creditors abreast of Independent Review Process developments.

WHEREFORE, AAFAF respectfully submits this Motion for informational purposes only and does not request the Court to enter related relief.

Dated: December 19, 2017
San Juan, Puerto Rico

Respectfully submitted,

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